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ART. IV.—THE MEANING OF REVENUE REFORM.

“WITH a revenue stamp dispensed by postmasters, a tax upon liquors of all sorts, and tobacco in all its forms, and by a wise adjustment of the tariff, *which will put a duty only upon articles which we could dispense with, known as luxuries, and on those which we use more of than we produce*, revenue enough may be raised, after a few years of peace, to fulfil all our obligations.”

“Revenue reform, if it means this, has my hearty support. If it implies a collection of all the revenue for the support of government, for the payment of the principal and interest of the public debt, pensions, etc., by directly taxing the people, then I am against revenue reform. If it means failure to provide the necessary means to defray all the expenses of government, and thereby repudiation of the public debt and pensions, then I am still more opposed to such kind of revenue reform. *Revenue reform has not been defined by any of its advocates to my knowledge, but seems to be accepted as something which is to supply every man's wants, without any cost or effort on his part.* A true revenue reform cannot be made in a day, *but must be the work of national legislation and of time.* As soon as the revenue can be dispensed with, *all duty should be removed from coffee, tea, and other articles of universal use not produced by ourselves.* The necessities of the country compel us to collect revenue from our imports.”—*Message of the President of the United States, December, 1870.*

Soon after the reading of the above lucid exposition of the principles of financial economy by the clerk of the House of Representatives, it is said that General Robert C. Schenck happened to meet General Benjamin F. Butler, when the two great political chieftains, forgetting for the time all former differences, formally congratulated each other “that revenue reform was now dead”; a conclusion doubtless due, in a great measure, to the circumstance that to minds ignorant or bewildered things mysterious or enigmatic always seem unduly potential.

If, however, “revenue reform,” according to the two most

respectable gentlemen referred to, is actually dead, and if General Grant, in common with many other foes, has slain it, then the time has properly come to write its biography. But if, on the other hand, "revenue reform" is not dead, but a stout, lusty fellow, growing stronger every day, and likely soon, in consciousness of his strength, to lay his fists vigorously about him, then it is still more important to inquire into its character and purposes; and to such an inquiry we propose to endeavor to return an answer.

The term "revenue reform," in its widest and possible future party acceptation, is a general one, expressive of a conviction on the part of those who adopt it that the existing financial system and the financial management or policy of the present government is not what it should be; not in harmony with the interests and necessities of the whole country, and not at all in accord with the experience and requirements of the most advanced civilization. Those holding to such views demand *reform*, — reform in the collection and apportionment of taxes or revenue; reform in the amount of revenue to be collected; reform in its expenditure or use when collected; reform in the selection and tenure of office of those by whom the national finances are managed; and finally, more than all else, they demand that there shall be continued, enlightened, and thorough investigation, a distinct recognition of the importance of investigation, and a willingness to adopt promptly the results of investigation when facts and arguments alike prove that these are likely to conduce to the welfare of the country. As a correlative to so much of positive declaration, the advocates of revenue reform also declare that, at the present time, there is neither good sense nor sound judgment displayed in the management of our national fiscal affairs; and further, that, under the present administration, all attempts to insure progress through investigation have been studiously repressed and forbidden, rather than encouraged and stimulated.*

* As one illustration in proof of this assertion, it may be mentioned that, in 1869, when it was proposed, in anticipation of the discussion of the income tax by Congress at its approaching session, to prepare for public information a full statement of the working and distribution of this tax, the amount paid respectively by the recipients of large, moderate, and small incomes, and the amount and number of individuals exempted under the law as then existing; the Secretary of

The charge so frequently brought against the advocates of revenue reform, that they have no definite financial system to propose, so far from being a defect is in truth a claim to merit. The conditions on which the fiscal system of a great nation can be properly based and ordered, namely, the character and aptitudes of the people, the natural resources of the country, the indispensable requirements for revenue, and the like, are in each instance peculiar, and are to be learned only from experience or continued investigation. True fiscal or revenue reform in the United States, where experience in dealing with a great debt and extensive taxation is very limited, and ten years ago was wholly wanting, must for many years be tentative, conservative, and somewhat in the nature of experimentation. It is only closet theorists, zealous partisans, and jack-of-all-trades who are ready to assert that the present fiscal system is all that it should be, or, on the other hand, that a new system may at once be framed and put in operation which shall remedy all difficulties. In short, there is at present sufficient work to be done in the way of revenue or fiscal reform which is practical, and the necessity of doing which all not blinded by prejudice or self-interest must admit, to obviate any necessity of constructing elaborate theories or to any great extent of anticipating the future; and it is in respect to just such work, and in combating the selfishness, the indifference, and the incompetence — both legislative and executive — which now array themselves in opposition to progress, that the advocates of revenue reform base their chief claim to popular support. The scope and nature of this present work, furthermore, is coextensive with the present most important economical requirement of the country, which, embodied in a single brief expression, may be defined to be *cheaper production*, and, as a necessary consequence, *larger consumption and more extended markets, domestic and foreign*.

To appreciate fully the truth and importance of this proposition, it is desirable to review briefly the leading incidents of our industrial and financial history since the year 1857,—the

the Treasury refused to allow the investigation to be undertaken, alleging substantially that it was not in accordance with the policy of the treasury to permit such facts to be made public.

year celebrated for its wide-spread commercial panic and disaster. In respect to the causes which led to those events it is unnecessary, for our purpose, to enter into any discussion. But it is most desirable to point out and recognize the wonderful celerity with which the country recovered from its financial disasters, and attained a high degree of industrial prosperity. Hardly had the smoke and dust of the fallen structures of credit and of fortune subsided, when the work of reconstruction began. The people, one and all, felt that the day of speculation and inflated values had at least, for a time, gone by; and that the necessity for hard work and for the exercise of skill and economy had come, so that during the next three years, or from the spring of 1858 to the spring of 1861 inclusive, more substantial progress was made than in any equal period in the history of the country, either before or since. It was in that series of years that the commercial tonnage of the United States rose for the first and last time to upwards of five and a half millions of tons (5,353,868 in 1859-60, and 5,539,813 in 1860-61); that the annual crop of cotton exceeded five millions of bales (5,196,944 bales of 400 pounds each, United States census 1860); that the value of the exports of manufactured cotton approximated eleven millions per annum (\$10,934,796 in 1859-60; \$3,527,736 in 1870); while the nation at large purchased and consumed the largest *per capita* quantities of sugar, coffee, and cotton cloth. The number of miles of railway constructed and the number of cotton spindles put in operation during those years was also far greater than for any former equal period; while the number of pounds of cotton which the manufacturers of the United States converted into yarn, cloth, or other products for the year 1859-60, exceeded the quantity consumed for the same purpose for the year 1870 by over fifteen millions of pounds, or forty-six thousand bales of 461 pounds each.*

During the same time our purchases and imports from foreign countries greatly increased, but our exports and sales of

* The consumption of cotton, North and South, for the year 1859-60 is returned at 928,043 bales, of the average net weight of 461 pounds per bale. The total consumption of the United States for the year 1869-70 was 881,861 bales of approximately the same weight.

domestic products and merchandise increased in an equal or greater proportion ; so that, during each of the years under consideration, the balance of indebtedness remained uniformly in favor of the United States ; our imports for the years 1858, 1859, and 1860 being \$282,000,000, \$338,000,000, and \$362,000,000, while the exports for the same periods were \$323,000,000, \$355,000,000, \$399,000,000, respectively, gold valuations.

American coarse cottons, supplanting the English, were rapidly becoming the standard foreign textile in the markets of India, China, Canada, and South America ; so much so, indeed, that the counterfeiting of American trade-marks was extensively resorted to by European manufacturers as a protective, though fraudulent necessity. The cane-bottom chair and other forms of light and graceful, but cheap, American furniture had come to constitute the essential equipment of nearly every well-to-do household in the British and Spanish American possessions, in Central America, South America, the Cape of Good Hope, and Australia ; while to all these same countries went annually, *in American vessels*, a steadily increasing supply of hardware, agricultural implements, boots and shoes ; one seventh part of our manufacture of fur and felt hats ; carriages, omnibuses, and street-cars ; cordage, fish-lines, and nets ; printing-presses, ink, and paper ; candles, gunpowder, wooden-ware, steam-engines, machinery of every description ; and last, but not least, garden-seeds and patent medicines.

Product being thus mutually and profitably exchanged for product, commerce flourished ; ships were employed ; domestic manufacturing industry extended and became diversified, and, what was more important, the increasing products of American agriculture found annually an increasing home market ; — the aggregate gold value of the breadstuffs exported for the four years ending June 30, 1861, having been only \$1,000,000 less than the aggregate gold value of the same products exported during the four years ending June 30, 1869, although the productive power of the country in respect to agriculture, owing to the increase of population and an increased use of machinery, was undoubtedly at least *thirty* per cent greater in the latter than in the former period. Let the advocates of special theories say what they may, facts and experience alike prove that

there never was a period in the history of the United States when wealth accumulated more rapidly and distributed itself more equitably, when the whole population was so actively and fully employed, and when the product *per capita* was so great as during the three years immediately preceding the outbreak of the Rebellion. And, as further evidence in support of this proposition, we would cite the testimony of Hon. Justin S. Morrill, who, in a speech as chairman of the Committee of Ways and Means, January 24, 1867, characterized the year 1860 as "*a year of large production and as much general prosperity as any, perhaps, in our history.*"*

And yet, strange to tell, the years under consideration were the ones in which the average rates of the tariff on the aggregate value of all imports ranged from 14.6 to 14.8 per cents; and on dutiable imports from 19 to 20 per cent, — the very lowest, with the exception of the first few years of our national existence, that we have ever enacted; and stranger yet is the circumstance that people and politicians alike took so little interest in the subject of the tariff, that a search through the records of Congress or the files of the leading newspapers of the period will hardly afford a single paragraph or allusion to the subject.†

And, as having an important bearing on two of the most difficult and vexed questions of the day, attention should be directed to two additional facts of not a little interest: the first of which is, that, during the years 1859–60, two iron sea-going steamers, of 1,150 tons' burden each, were constructed in the port of Boston on contract on terms as favorable as could then or now be obtained in Great Britain; and the second, even more significant, that, during this period of low tariffs,

* Congressional Globe, Second Session, Thirty-ninth Congress, Part I. p. 724.

† As it is for the interests of the advocates of certain theories to endeavor to question these statements, we give herewith, in tabular form, the imports, duties, and average rates of duty for the fiscal years 1858, 1859, and 1860:—

IMPORTS.						
Years.	Customs.	Free.	Dutiable.	Total.	Per cent on Dutiable.	Per cent on Aggregate.
1858	\$41,789,621	\$80,319,275	\$202,293,875	\$282,613,150	20	14.8
1859	49,565,284	79,721,116	259,047,014	338,768,130	19	14.6
1860	53,187,511	90,841,749	279,872,327	362,166,254	19	14.7

when the cotton-manufacturing industry was increasing with unexampled rapidity, and the mills of the United States were spinning far more cotton than they are at present, the representatives of this same great industry in Maine, Massachusetts, and Rhode Island voluntarily reduced the hours of labor of their operatives from twelve to eleven, without reducing wages or materially diminishing product.

These facts, apart from their general interest, are of not a little significance: *first*, from the circumstance that they indicate most clearly what would be the condition of the country were its finances and industry in an altogether normal and healthy condition; and, *secondly*, from the demonstration they afford that the country, from 1858 to 1860, inclusive, was, in a great measure, industrially independent, and that, too, notwithstanding that the difference in favor of Europe in the cost of the capital employed in manufacturing and in the wages of labor — taking the purchasing power of the wages into consideration — was as great then as now; or, to put the case more forcibly, the country, commercially and industrially, had then assumed the offensive in respect to its trade with foreign nations, instead of, as now, standing wholly on the defensive.

The immediate effect of the war was a partial derangement and paralysis of domestic industry; but, as large drafts were made upon the industrial classes to fill the ranks of the army, and as the demands for food, clothing, munitions of war, and the elements of transportation increased and became enormous, an artificial stimulus was soon given to every branch of domestic production, and every person, throughout the loyal States, who was willing to work, found employment at highly remunerative wages, while all who had anything to sell found a market at high prices.

Then it was that one characteristic of the typical American civilization, viz. that of adapting itself to circumstances and rising superior to accidents, was displayed as never before. Thus, notwithstanding the withdrawal directly or indirectly, during the years 1863–64 and 1864–65, of not less than a million and a half of able-bodied men from productive employment in the loyal States alone, and in great part from the business of agriculture, the yearly products of the soil and of

the workshop became greater rather than less; machines were substituted in the place of men, while the practice of economy and the hours of labor were voluntarily increased. Thus, during the years 1863 and 1864, the number of reaping and mowing machines manufactured and sold in the United States were enormously multiplied; while the State of Indiana, which, in 1859, produced 15,219,000 bushels of wheat, in 1863 increased her annual product to upwards of 20,000,000 bushels, and that, too, notwithstanding the circumstance that, in 1862-63, out of her population of 1,250,000, 124,000 fighting men were drawn to supply the ranks of the national armies.

Another interesting circumstance, to which public attention has not heretofore been particularly called, was the very great stimulus which, during the latter years of the war, was given to the exportation of certain articles of domestic product by reason of the very high premium on gold, which, being often from fifty to seventy-five per cent greater than the advance in the price of the labor and material employed in domestic production, increased the purchasing power of the foreign consumer; or, what was the same thing, decreased the relative cost of such articles of American product as were available for exportation and sale in foreign markets.*

* As this circumstance is one of great interest, not only as a matter of history and as a contribution to the science of political economy, but also from the demonstration it affords of the impolicy of the existing and, we may say, the administrative and popular fiscal theory, viz. that it is desirable to reduce the premium upon gold, irrespective of any measure looking to a simultaneous reduction of the cost of domestic production through a reduction of taxation and the volume of paper currency, attention is asked to the following table, showing the comparative exports of certain articles of domestic product in the fiscal years 1859-60 and 1864-65, respectively:—

	1859-60.	1864-65.
Boots and shoes,	\$782,525 gold,	\$2,098,165 currency. ¹
Carriages,	816,973 "	1,622,780 "
Fruits,	206,055 "	1,001,802 "
Hemp cordage,	246,572 "	979,921 "
Other manufactures of hemp,	27,814 "	392,516 "
Nails,	188,754 "	947,658 "
Saddlery,	71,332 "	228,746 "
Trunks and valises,	50,771 "	209,868 "
Glass and glass-ware,	277,948 "	1,268,533 "
Bacon and hams,	2,273,768 "	10,536,608 "
Butter,	1,144,321 "	7,292,715 "
Cheese,	1,565,000 "	11,697,746 "
Tobacco (unmanufactured),	15,906,547 "	41,625,226 "
Locomotives and machinery,	9,948 "	3,510,192 "

¹ The average premium on gold for the fiscal year 1864 was 156; for the fiscal year 1865, 202.

With a reduction in the premium on gold consequent upon the termination of the war, the decline in the volume and currency value of many articles of export was equally noticeable: the export of boots and shoes declining from \$2,098,165 in 1864-65 to \$475,607 in 1868-69; of nails during the same period from \$947,658 to \$290,380; printing-presses and type from \$295,781 to \$64,544; and hats and caps from \$456,933 to \$96,744. In fact, the record of these changes constitutes one of the most interesting portions of our recent economical history; and the failure of our fiscal administrators to heed or to understand the inferences from this record has cost the country, as will be hereafter shown, for the last calendar year alone, a sum which cannot be directly estimated at less than from seventy-five to a hundred millions of dollars.

The termination of the war, in 1865, was also the occasion of immense industrial changes. The million and a half of men directly or indirectly engaged through the army in the work of destruction were returned to productive employments. The enormous demands of the government for service and supplies of every kind were almost immediately terminated; while the decline in the premium on gold, as above stated, occasioned a most marked falling off in the volume and value of many articles of domestic export.

Various agencies, however, at once came into action to prevent that stagnation and derangement of the business of the country, which, at first thought, would seem to have been almost inevitable. The stock on hand of agricultural products had been reduced to a minimum, owing to the enormous consumption of the men and animals of the army, to a partial failure of the crops, and to an unnaturally stimulated export; and, with the exception of cotton and woollen goods, there was no accumulation of the products of the so-called manufacturing industries. The South, with its population of twelve millions, was, moreover, destitute of nearly everything essential to render possible the continuance of civilization or even life itself; and yet the South, through its retention of cotton, was in a condition to purchase largely and pay promptly for its necessities; as is shown by the fact that the export value of *unmanufactured* cotton advanced from the small sum of \$6,836,000 in

1864-65, to the large amount of \$281,000,000 in the succeeding year 1865-66.

In addition to these circumstances, which afforded large opportunities for the profitable employment of labor, the disbursements of the government for arrears of pay, bounties, pensions, and the settlement of contracts during the three years immediately subsequent to the war, in themselves constituted a very great stimulus to consumption, and were therefore equivalent to the creation of new domestic markets or to the continuance of those previously existing. The amount thus disbursed from the 1st of April, 1865, to the 1st of June, 1869, was in round figures about \$700,000,000; a great part or all of which was immediately invested in the purchase of food, clothing, shelter, implements, transportation, or business, and really constituted a fund on which the men of our volunteer army re-established themselves in the pursuits of peace.

It is therefore obvious that it has not been possible for the country, until within a comparatively recent period, to resume its natural industrial relations, or to determine by actual experience the full effect of the burden of its increased taxation, or of the laws and methods under which such taxation is imposed and collected. But the time has come when such an examination can be properly instituted; and when, exceptional disturbing causes having ceased, we may determine our present economical position, and with a reasonable degree of assurance forecast the future.

No one would have a right to expect that the country, after experiencing a gigantic war and incurring an immense debt, would at once recover all it had lost, or that, having sown the whirlwind, it could escape reaping the storm. But for the time let us put aside the question of drawbacks and liabilities, and, like prudent merchants, take account of our resources and capacities, in order to see what we may legitimately expect in the future.

We are a nation of forty millions, unsurpassed in intelligence, indomitable in will, fertile in expedient. Our territory, washed by three oceans, and extending from the arctic to the tropics, is too vast for most persons even yet to realize that its geographical centre is not far from the head-waters of the Columbia River,

and is eight hundred miles west of the Mississippi. Its variety of soil, of climate, and of crops is so great and its means of intercommunication so ample, that a deficiency of food which, in other countries, is ever a source of anxiety, is, in the United States, a matter of impossibility, inasmuch as the very conditions which result in injury to one staple in one section are productive of benefit elsewhere to another. We have a form of government in which the will of the people constitutes the law. We have a thousand million acres of fertile land as yet unoccupied. We have an annual immigration of 350,000, mainly persons who have passed the age of childhood, ready to occupy, to produce, to consume, and pay taxes, and whose annual money value to the country cannot be estimated at less than \$300,000,000. We have the largest area of land in the world especially adapted to the cultivation of cotton, but of which not three acres in a hundred have ever, at any one time, been put under cultivation. We have more coal, the source of motive-power, than is possessed by all other countries together. In short, we have all the conditions under which labor can attain its maximum of productiveness, and capital receive its greatest reward. Therefore, if there is any place on the earth where labor and capital can and ought to harmonize, that place is the United States; and if to-day they are not in harmony, the obstacles are all artificial, not one natural. Pauper labor, moreover, so often ranted about and so often prophesied, cannot exist, and never has existed, except through man's ignorance and shiftlessness, in any country where fertile land can be had for the occupation or purchased by the acre at less than an average day's wages; for the free possession and cultivation of fertile land always insures to its possessor a generous support: and when manufacturing or other occupations afford less than this, the tendency will be to quit the latter and embrace the former.

Such, then, is a partial statement of the conditions under which the nation exists. They are more favorable than have ever been bestowed upon any other people. They bring prosperity, great and abiding, which, as experience shows, even the calamity of civil war can only check, not destroy. But right here it is especially important to note and bear in mind that

these conditions of prosperity are in the main natural, the gift of God, entirely independent of laws, certainly of any recent legislation, and that the prosperity they entail would be essentially the same whether the government was free or monarchical, or its administration Republican or Democratic. This proposition is the more worthy of attention, since, as we believe, it is the want of a clear appreciation of its truth that to-day offers the greatest obstacle to the attainment of a much larger prosperity and a much greater degree of national progress; the inevitable results of natural growth being constantly and most impudently put forward as the consequence of legislation, when, if the whole truth were shown, it would be found that nearly every instance of growth that can be cited within the last ten years has been made in spite of legislation, and that legislation, so far from having helped to national progress, has really been only a hindrance. And this unfounded assumption, this connecting together as cause and consequence results which have legitimately no such connection, more than all else blinds the nation to its true material condition, and is held to absolve us from the necessity of investigation and reform.

We look for plenty, and we find an almost universal complaint, among the producing or laboring classes, that the receipts from income or wages are entirely disproportionate to the expenses of living. We enumerate our resources and predicate abundant employment for all willing to work, yet we find enforced idleness, ships unemployed, commerce departing from its old and legitimate channels, producers of great staple articles complaining that they are working to no profit, imports increasing, and exports of domestic manufactures relatively decreasing, trade dull, collections difficult. We feel that we have a right to look for harmony between labor and capital, because we are certain that natural conditions in the United States are such as ought to secure for both an ample reward; and instead of this, we find antagonism, strikes, combinations, trade-unions, suspension of production, although those who advocate these measures in Europe frankly confess that they discover no similar necessity for the same in the United States. We would point to the further most singular fact, that during the last few years the representatives of almost every indus-

trial profession in the country — the manufacturers of cotton, of wool, of pig-iron, of boots and shoes, of coal, of salt, and of petroleum; the miller, the lumberman, and the hatter; the makers of paper, of glass, and of nails — have met in convention and resolved that it is expedient to diminish production: as if there could be any such thing as over-production so long as there were any hungry to be fed, naked to be clothed and warmed, or homeless to be sheltered; or, as if abundance of any of the necessities and comforts of life could ever be anything but a blessing. We find, furthermore, notwithstanding our vast resources, that out of all our multiplied products there are practically only two or three which cannot be produced under more favorable circumstances elsewhere, viz. cotton, gold, and petroleum, and that any advantage we may have in respect to these is due to natural causes rather than to our own efforts, and extends no further than to the material in its most elementary or unelaborated condition.*

Now it neither avails anything nor is it pertinent to attempt answering these statements by referring to our constant increase in wealth, product, population, and territory, or to fall back with the Secretary of the Treasury in opinionated self-complacency upon the circumstance that he knows of somebody in the back country of Massachusetts who had two pigs and three hens last year, while ten years ago the same person had only one pig and no hens; that as he looks out of the car windows, in traveling from Groton to Washington along the richest and most densely populated section of our country, he observes every one busy; and that after he gets to Washington he finds the revenues from taxation coming in without interruption. Neither will it much longer be considered satisfactory to say, with the President, that there is gold enough in the Rocky Mountains and profit enough in San Domingo to pay the national debt and

* The value of the exports of the United States for the calendar year 1870 is returned at \$ 506,000,000 currency, of which the following constitute the principal items: cotton, \$ 219,373,000; petroleum and other oils, \$ 37,692,000; bullion, \$ 66,097,000: total, \$ 323,162,000. If to this we add the value of the breadstuffs exported, \$ 65,000,000; tobacco, \$ 18,000,000; provisions, \$ 29,000,000; and oil-cake, \$ 3,768,140, the total aggregate becomes \$ 439,000,000, leaving but a comparatively trifling amount to represent the value of the exported surplus of all other industries.

make us all rich ; as if a dollar earned in Arizona, or in a fever-stricken island of the tropics, that for two centuries has resisted all attempts at civilization, were worth any more than a dollar created by raising wheat in Iowa, packing pork in Cincinnati, or making shoes in Massachusetts, especially when the mining statistics indicate that every dollar taken from White Pine has cost the country a dollar and a quarter to get it ; and history proves that all the wealth that has ever been gained from San Domingo has been watered with tears, crusted with blood, and wrung from unwilling labor by the lash.

In opposition to these views of the administration, a very ugly series of statistics may be presented. Thus, if we take as one measure of national prosperity the comparative use and demand for sugar and coffee, we shall find that the consumption of each of these staple articles was considerably less *per capita* in 1869 than it was in 1859, although, during the intervening ten years, four millions of blacks had passed from a condition of non-consumers to that of consumers.* Manufacturers and dealers also state that our people use a comparatively smaller number of boots, shoes, and hats now than they did before the war ; while it is positively known that the consumption of cotton cloth (measured in pounds) was less in the United States during the year 1870, with 39,000,000 of people, than it was in 1859, with 30,000,000.

What answer, we would ask, is to be made to these statements ? Do our people like sugar and coffee less now than then ? Have their necessities and uses for boots, shoes, hats, and cotton cloth been obviated by any change in climate or by the introduction of a new civilization from San Domingo ? Or is it that our population desire and require these things no less, but have less of ability to purchase and obtain them ?

Or, as bearing upon the general business of the country, what is to be said of the circumstance that the mercantile

* Consumption of sugar, 1859, (Atlantic slope)	. . .	965,852,160 lbs.
“ “ 1869, “ “	. . .	1,104,093,760 “
“ coffee, 1859, “ “	. . .	99,380 tons.
“ “ 1869, “ “	. . .	108,479 “
Population, 1859,		30,000,000
“ 1869,		38,600,000
See Moring's (New York) Commercial Sugar and Coffee circulars.		

agencies report the business failures for 1870 as twenty-five per cent in excess of those of 1869, and *thirty-three* per cent in excess of those of 1868; or, to use their own language, "that the surplus which has been added to the wealth of the mercantile community by the results of the year's transactions is very trifling." A conclusion which also finds confirmation in the fact that the returns of the New York clearing-house for the year 1870 show that, although the bank loans of the year fluctuated widely, yet they averaged no higher than they did two years before, or in 1868,* although from 1850 to 1860 the increase in the business of the country, if measured by the reported increase of wealth, would seem to have been in excess of ten per cent per annum.

Take another series of facts. No nation or community produces all that is essential to its civilization and comfort; but Providence, as though desirous of enforcing the doctrine of the universal brotherhood of man, has bestowed upon particular regions particular or exclusive advantages in the way of production, and has thus made nations and men mutually interdependent. Hence has arisen what we term commerce, or the exchange of product against product, the results of one man's labor here for the results of another man's labor there. It is upon this basis that New York exchanges with Ohio, and Ohio, in turn, with California. It is upon this basis that Great Britain, France, and Germany, and even Brazil and the Sandwich Islands, carry on their commerce. But the United States, in respect to its foreign trade, has had of late a way peculiar to itself. Disregarding the maxim of its earliest political economist, "Pay as you go," it buys every year from foreign nations a good deal more than it pays for with the products of similar industries, and gives its obligations in various forms for future settlements; all of which, however, may be the sign of a new civilization. But it pays in part for its annual purchases, and pays for them how? With such of its products as represent the highest intellect and skill of its people, and, of course,

* It should not in fairness be overlooked, in this connection, that the difference of fifteen per cent in the value of the greenback dollar, as between January 1, 1868, and January 1, 1871, shows that the fall in the gold premium, involving a fall in prices generally, materially diminished the amount of loans required for carrying the same quantity of commodities.

its most highly remunerated and intelligent labor? Not at all; but, in major part, with its most crude and unelaborated raw materials, three fourths of which represent the gifts of God, and the other *one fourth* labor, but labor of the most unskilled and poorest paid description; and altogether it presents a type of commercial exchanges characteristic of nations but one remove from barbarism.

But the treasury tells us, in its monthly bulletins of exports and imports, — for the accuracy and fulness of which we would give all credit, — that affairs are improving; and the country is, from time to time, congratulated that trade and exchanges are returning to their old and normal condition. Now it must be admitted that there has been of late an improvement. We had more of cotton and petroleum to sell during the last calendar year than the year before; and the necessities of the French required them to buy of us — for the reason that they could not, for the time being, buy elsewhere — a large amount of arms and munitions of war, so that we increased our exports of merchandise about fifty millions for the year 1870.

But let us examine the details of last year's business. Leaving for a moment the movement of specie and bullion out of the account, it will be found that we bought of foreign merchandise for the year 1870 to the (specie) value of \$461,000,000; and that we gave in exchange for it domestic merchandise to the (specie) value of \$387,000,000 and foreign merchandise previously bought of somebody else to the value of \$16,000,000 additional, leaving an adverse balance on the merchandise account, to be settled in some other way, of about \$58,000,000. We shall also find that foreign nations did not want so much of our breadstuffs as they did the year previous, by \$10,000,000; of tobacco, by \$8,000,000; of hops and naval stores, by \$3,000,000; while of our domestic manufactures generally they seem to have wanted little of any kind. And it is furthermore to be noted, as a matter of not a little significance, that while in 1869 about 73 per cent of all that came into or went out of the country was carried in foreign vessels or vehicles, in 1870 the proportion thus carried had increased to nearly 80 per cent.

But this is by no means the whole story. We owe abroad

on national account about \$1,000,000,000, funded debt; and on account of railroads and other corporations about \$600,000,000 more. On the national part of this debt we pay our interest regularly; on the remainder we pay on part, and on part we do not pay; but the whole aggregate of annual interest for which we feel bound to provide cannot be less than \$80,000,000. If to this we add \$24,000,000 to represent the excess of freights carried in foreign bottoms,—a very low estimate,—and as much more to represent the excess of annual expenditure of Americans travelling abroad over the expenditures of foreigners travelling in the United States, and deduct \$30,000,000—a large estimate—to represent the specie brought in by immigrants, we have an annual aggregate balance of at least \$156,000,000 accruing indebtedness; which was settled last year by exporting \$56,000,000 net of specie or bullion, or \$23,000,000 more than the previous year, and going into debt for the balance.

Now, while no writer of any of the modern schools of economists supports or indorses in any degree the old balance of trade notion, that a nation, in order to be prosperous, must always export more than it imports; and while we must recognize to the fullest extent the truth of the proposition that gold is as much the product of our industry as wheat, cotton, or petroleum, and that there is no better use that can be made of it than to pay our debts, must we not at the same time frankly confess to a feeling that we do not altogether like that condition of things which induces foreign nations to require of us gold in the settlement of exchanges, rather than cloth, furniture, or hardware; and that too, not because they want our gold in itself more than they do our cloth, our furniture, and our hardware, but because they know that our gold will buy much more of these same articles in some other market than it will in our own: and as Americans and friends of our industry, would we prefer that condition of affairs which would foster those branches that require the most diversified and skilled labor rather than those in which chance, as in mining, constitutes an element of success, or in which the most unskilled labor stands on a par in the way of production with that which is the best paid and most intelligent?

But as showing more clearly the abnormal condition of our present system of foreign exchanges, let us take as example the trade between the United States and the Argentine Republic of South America,—an example, although before made use of, is nevertheless always pertinent. The necessities of trade between the two countries belong in the first instance to the United States, for we have not a supply of domestic hides sufficient to meet our consumption of leather; and in addition, have practically no supply whatever of either goat-skins or horse-hair. The Argentine Republic has these articles especially to sell, and if she is willing to dispose of them on terms equally advantageous with other nations, it is not a matter of choice on the part of the United States whether she will trade, but a matter of necessity.

It is also worth while to diverge for a moment from the subject under consideration, and see how important is this supply of foreign hides to domestic industry, and how good a thing the United States makes of it. Thus the value of all the hides and skins annually used in the United States, both foreign and domestic, is about \$70,000,000; but the value which labor and capital adds to these same hides and skins when they are manufactured into boots and shoes, trunks, harnesses, sadlery, and the like is at least \$225,000,000; the major part of which large sum represents the wages paid to the 180,000 operatives engaged in these branches of manufacture,—a number far greater than is employed in any other special department of domestic industry.

As might be inferred from this showing, the United States continues to purchase hides from the Argentine States, and continues to add to her wealth and to the sources of employment for her people by doing so; but in thus purchasing we find that the United States stands on a different footing from other commercial nations. Thus the Argentine States in sending us hides and skins require an equivalent; they have no forests, few manufactures, and an insufficient supply of bread-stuffs; they therefore require lumber, flour, textile fabrics, especially coarse cottons and calicoes, furniture, ready-made clothing, wagons, hats, boots and shoes, sadlery, paints, paper, hardware, and a thousand other articles which the United

States is capable of producing in almost unlimited quantity, is very desirous of selling, and with many of which, furthermore, it has been claimed that our markets are glutted by over-production. The people of the Argentine Republic, moreover, do not desire payment for their products in the precious metals, and, if obliged to receive them, must immediately exchange them for the commodities named, which are absolutely essential to their existence as a civilized people. Now, as the United States stands to the Argentine Republic in the relation of its best customer, and as the two nations are closely assimilated to each other through continental position and a common form of government, and as the former is especially capable and desirous of supplying to the latter the commodities which it absolutely needs, it might naturally be supposed that the trade between the two would be reciprocal. But the contrary is the case. The United States bought, in 1870, upwards of *three* dollars' worth of Argentine productions for every one of domestic product sent in return; or \$6,414,600 imports, *gold valuation*, in 1870, as compared with \$2,281,000 exports, *currency valuation*, in the same year; while in the case of Great Britain the average of imports into the Argentine States for the last few years have been four times greater than the exports received from the latter country: thus indicating that the adverse balance in the exchanges of the United States with the Argentine Republic is settled in the first instance by Great Britain.*

* A recent writer, indorsed by the New York Tribune, has endeavored to show that this illustration amounts to nothing as an argument, for the reason that the exports from the United States to Buenos Ayres have increased during the last few years, and are apparently more favorable than they were previous to the war. But this pleading is a mere attempt to avoid the real issue presented; for making whatever allowance we may for an increase of exports from the United States to Buenos Ayres, the fact nevertheless remains, that the balance of exchanges in this trade for the year 1870 was unfavorable to the United States in the ratio of three to one; and as further showing how dangerous a little knowledge is on these subjects, the critics referred to have overlooked the fact that a very considerable part of the export trade of the Argentine States with the United States, namely, wool, has been in a great degree destroyed — prohibited — by the wool tariff of 1867; and that if we had imported from the Argentine States in 1870, in addition to other articles, the proportion and value of wool imported in 1865, the balance of exchanges between the two countries would have been even more unfavorable in 1870 for the United States than it was during 1859.

This result is due, not to any unwillingness on the part of the people of the Argentine Republic to exchange product for product with the United States, but simply and solely to the fact that the prices of nearly all commodities in the United States are so much higher than in all other markets of the world, that reciprocal trade with the South Americans is both disadvantageous and impossible. But the United States must have the hides and the skins and the horse-hair, and being unable to procure them in exchange for its cloth, its furniture, its flour, and its hardware, obtains them in this way: not by sending gold and silver direct to Buenos Ayres, but by purchasing, in the first instance, a bill of exchange on London, paying a banker's profit, and probably effecting the purchase to a greater or less extent by selling at a discount the government's or a railroad's obligation of indebtedness. The debt thus transferred to Great Britain is settled by the exportation to Buenos Ayres of British manufactures, paying another profit, in British vessels paying freights and commissions; and when the British vessel has discharged her original cargo, she loads again with hides, skins, and horse-hair for the United States, while American vessels remain unbuilt and unemployed, and American manufacturers meet in convention and pass resolutions declaring that there is an over-production. And this peculiar and unnatural commerce, which has been described in detail as regards the Argentine States, goes on in much the same way month after month and year after year with other foreign nations, until there is not now one single country with which the United States exchanges on terms as commercially favorable as it did in 1859-60.

In proof of this we ask attention to the following statistics:—

GREAT BRITAIN.

	1860.	1869.
Exports, domestic produce,	\$ 196,260,000 gold.	\$ 163,195,000 currency.
Imports,	138,596,000 “	201,799,000 gold.

SPANISH WEST INDIES.

Exports, domestic produce,	\$ 13,713,000 gold.	\$ 15,479,000 currency.
Imports,	41,450,000 “	69,903,000 gold.

SWEDEN AND SWEDISH WEST INDIES.

	1860.	1869.
Exports, domestic produce,	\$ 1,513,876 gold.	\$ 166,974 currency.
Imports,	532,984 “	1,103,611 gold.

MEXICO.

Exports, domestic produce,	\$ 3,338,739 gold.	\$ 3,836,000 currency.
Imports,	6,935,872 “	7,232,000 gold.

SANDWICH ISLANDS.

Exports, domestic produce,	\$ 637,489 gold.	\$ 700,962 currency.
Imports,	367,859 “	1,298,085 gold.

CANADA.

		1870.
Exports, domestic produce,	\$ 18,667,000 gold.	\$ 17,765,712 gold.
Imports,	23,851,000 “	39,507,842 “

In respect to the remarkable change in the trade between the United States and Canada shown in this accompanying table, Mr. J. N. Larned, in his “Report on the State of Trade between the United States and the British Possessions in North America,” made to the Secretary of the Treasury, February, 1871, says:—

“Down to the close of 1862, when the derangement of the currency, the inflation of prices, and the disturbance of industries, produced by the war, began to work their effects, we had been selling the Provinces largely in excess of what we bought from them. The aggregate of their imports from us during the nine years ending with 1862—eight of which were the years of the reciprocity treaty—was \$ 172,641,372. The aggregate of our imports from them in the same period was \$ 133,230,473. The balance of trade in our favor was \$ 39,410,899. But in 1863 the balance shifted to the other side, and ever since the preponderance against us has steadily and rapidly increased, until now we are exchanging commodities for little more than one half that we buy from the British Provinces. Indeed, the exchange of our own productions covers less than one half of the amount that we are importing from the Provinces.

“Comment upon the unsatisfactoriness of this state of trade seems to be quite unnecessary. The adverse balance is vastly too great to be analyzed into commercial ‘profits,’ as an apparently adverse balance of trade often is; and, moreover, the mode in which it is here arrived at, by comparison of the import entries in each country from the other, excludes almost all the elements of such analysis.”

The following table also exhibits the reduction which has taken place in the export of certain products of domestic industry, comparing 1860, the year before the war, with 1869, the last year for which the returns are readily accessible : —

	Exports, 1860, gold.	Exports, 1869, gold.
Boots and shoes,	\$ 782,525	\$ 356,290
Wool and woollens,	389,512	237,325
Carriages,	816,973	299,487
Candles,	760,528	324,995
Pot and pearl ashes,	882,820	187,004
Books and paper,	564,066	290,098
Manufactured tobacco,	3,337,083	2,101,335
Soap,	494,405	384,950
Trunks and valises,	37,748	24,800
Paints and varnish,	223,809	91,452
Gunpowder,	467,972	122,562
Manufactures of marble and stone,	176,239	65,515
“ “ india-rubber,	240,841	128,216
Beer, ale, and porter,	53,573	9,755
Garden and other seeds,	596,910	44,186
Hides and skins,	1,036,260	219,918
Animals,	1,855,091	689,508

Now, this whole trade exhibit, notwithstanding all that may be written and said in respect to the advantage of using the cheap capital of other countries, has a bad look ; *bad*, because it is not the way in which we formerly did business, — *bad*, because it is not the way in which Great Britain, France, Belgium, Germany, and Holland conduct their foreign exchanges ; *bad*, because it means debt, for which obligations of future payment, bearing annual interest, are given in settlement ; *bad*, because it tends to strengthen and increase a present national tendency towards debt, — debt national, debt railroad and corporate, debt municipal and individual.

We certainly should look with some distrust upon the management of a farmer who, with plenty of the most fertile land and abundance of labor standing ready and anxious for employment, should borrow money for the purchase of wheat, corn, and cabbages for his own consumption ; and, although he might prove that it was for his advantage to adopt this method of procedure, we should still think it worthy of inquiry, whether the conditions which thus made it for his advantage were not in themselves forced and unnatural. And then, again, in com-

mon with many, we have a desire, but little expectation, that we may, during the next quarter of a century, get back to the recognition and use of a real standard of value in making our exchanges; but there is clearly no chance of maintaining specie payments, even if we should once resume, so long as our annual obligations to foreigners for indebtedness, over and above the value of all ordinary merchandise appropriated in liquidation, exceeds *three* times our whole annual product of the precious metals, and so long, moreover, as our legislation makes it an advantage to our foreign creditors to receive specie in payment, or acknowledgments of debt on which there is to be a continually accruing burden of interest.

Again, what a terrible exhibition do the statistics of our commercial marine present, comparing 1870 with 1860, and remembering that the population of the United States has increased at least twenty-three per cent in the interval. We ask attention to them.

Total registered and licensed tonnage : —

1860 — 61,	5,539,813
1869 — 70,	4,246,507

Tonnage employed in the coasting trade, which by law is protected from all foreign competition : —

1860 — 61,	2,657,292
1869 — 70,	2,595,328

Tonnage employed in the cod-fishery : —

1860 — 61,	127,310
1869 — 70,	82,612

Tonnage employed in mackerel-fishery : —

1860 — 61,	80,596
1866 — 67 (last return),	31,498

Again, it appears from statistics published during the present year by the Treasury Department, that prior to 1862 the tonnage of American vessels entered at the ports of the British Empire was double the tonnage of British vessels entered at ports of the United States, but that since 1865 the tonnage of British vessels entered at ports of the United States has been double the tonnage of American vessels entered at ports of the British Empire.

In 1860 the number of entries in the trade between the United States and Brazil comprised 345 American and 118 foreign vessels ; in 1869 this proportion had changed to 114 American and 359 foreign. In 1860 there were 68 entries of American vessels in the trade between the United States and the Argentine Republic, and 8 foreign ; in 1869 the proportion was 39 American and 33 foreign. In the direct trade with Great Britain, the entries for 1860 were 924 American and 613 foreign ; in 1869 the figures were 365 American and 1,391 foreign. In all history it would be difficult to find an instance where any nation has experienced, in so short a time, commercial changes of the magnitude indicated, and yet continued to exist with any degree of national strength and prosperity.

Take another illustration. Since 1860 the business of manufacturing boots and shoes for *general use* has been almost completely revolutionized. Instead of being the result of the labor of men working upon a bench in small shops or apartments, with awl, lapstone, and hammer, it is now carried on in immense factories, with such perfection and adaptation of machinery, that a pair of boots or shoes can be made in less time than it requires a visitor to inspect at leisure the processes ; while the increased power of production with a given amount of manual labor has been at least twenty-five per cent. The writer visited one of these large establishments in Massachusetts during the past year, and, after having seen the industry of the United States and of Europe under circumstances perhaps more favorable than have ever before been granted to any one individual, he must confess to having never experienced a greater interest than in witnessing the ingenuity, rapidity, and economy of the working there exhibited. When the leather is first received, instead of being hammered to compact it, it is rolled ; instead of the several pieces which compose the boot or shoe being cut and trimmed by hand, they are cut to a pattern by dies, or punches. If the work is to be pegged, a single machine makes the pegs, punches the holes, drives the pegs, automatically adjusts the shoe to the progress of the work, and stops of its own accord when the pegging is complete. If the work is to be sewed, a machine performs it so rapidly that the

eye cannot follow the formation of the separate stitches. In like manner, by machinery, are the heels adjusted, fastened, and trimmed, the uppers blacked, and the soles smoothed and polished; one man, in this last department, doing with greater ease what formerly would have required the labor of twenty men. After a careful inspection of all these new processes, the writer went to the counting-room and said to the proprietor, "I have witnessed the marvellous perfection, skill, and economy of your manufacture; please look at your books and tell me how the present cost of a case of boots or shoes, reckoned in gold, compares with the cost of the same in 1860." "There is no necessity," was the reply, "for me to look at my books. I know that it is at least *thirty* per cent greater now than it was in 1860." Or, in other words, something has come in since 1860 which has not only completely neutralized the whole benefit of this marvellous invention and adaptation of machinery, but has added thirty per cent to the cost of one of the most indispensable articles of domestic consumption. A few days later, in the city of New York, the writer fell in with one of our most experienced engineers and machinists, who had recently visited England for the special purpose of investigating the cost and conditions of iron ship-building. He stated that, since 1863 – 64, the wages of the workmen employed in this business in Great Britain had advanced about fifteen per cent, but that, notwithstanding this, owing to the use and improvement of new machinery and the better application of knowledge, the cost of construction had materially decreased; or, in other words, taking the two industries alluded to as the basis of comparison, the result of the last ten years in the United States has been to decrease the purchasing power of wages, increase the cost of the manufactured product, diminish consumption, and prevent exports; while in Great Britain the result has been an increase of wages, a decreased cost of the finished product, an increase of consumption, and a very large augmentation of exports.

The writer also obtained another illustration to the same effect from Mr. Mundella, the well-known hosiery manufacturer of Nottingham, England, and a member of Parliament, who, it will be remembered, visited this country during the autumn of

1870. This gentleman ascertained, as one result of inspecting the manufacture of hosiery at Lawrence and Philadelphia, that the difference in favor of Europe in the cost of the paper boxes or cartoons for a dozen of circular or machine-made stockings was more than the average profit on the dozen of such stockings in Nottingham or Germany, although, through the application of machinery and labor-saving processes in the United States, we can turn out a better and more symmetrical box in much less time than the same can be produced elsewhere. And, as pertinent to the same subject, it may also be stated that, when Mr. Mundella was in the United States, he was repeatedly waited upon by skilled workmen formerly in his employ, and expressly brought over by American corporations, with a request for their old opportunities for employment, on the ground that, taking the purchasing power of wages into account, their labor was better remunerated in the old country than in the new.

We will present one more picture. In the spring of 1867 the writer visited a pier on the North River, in the city of New York, for the purpose of witnessing the embarkation of some friends for Europe. The steamer was the *Fulton*, the companion of the *Arago*, on the old New York and Havre line, — a vessel faultless in marine architecture, built some years previous to the breaking out of the war, and repaired after the war at an expense of several hundred thousand dollars. She was a noble and a favorite vessel; and the writer well remembers, as he saw her majestically move off, that his heart swelled with pride at the thought that the American flag was yet borne by one first-class merchant steamer on the ocean. In March, a year ago, an errand for information took the writer to Mr. John Roach, of the Morgan Iron-Works, on the East River, and noticing a large steamer at the foundry dock, it was proposed to visit her. It was the same steamer *Fulton* in the process of demolition. Men in the cabin were stripping off the costly panelling, in the hold disconnecting the machinery; while old-junk men and small traders were bargaining and huckstering for the furniture of the state-rooms and the appurtenances of the galleys and of the pantries. "How is this?" it was asked. "Is the vessel worn out?" "Not at all," was

the reply. "A few thousand dollars would make her as good as new, but there is no use for her. I took her for a debt a short time ago. I have offered her for sale repeatedly for \$25,000, and finding no purchaser, I have concluded to break her up and sell her material as the only way to save myself. Look at those anchors and chain cables, the very best originally, and just as good now, but no one in New York will make me an offer for them, for there are no vessels building in the United States large enough to require them, and no one can tell when there will be. And more than that," he continued, "ten years ago, within the radius of half a mile from where you now stand, there were at least 15,000 workmen directly or indirectly employed in building or repairing marine engines or other machinery of vessels and steamers. To-day, out of all the great establishments that then existed, — the Allaire, the *Ætna*, the Continental, the Novelty, and others, — there is only one left, and that employs but about 700 workmen on work of a miscellaneous description."

Now how are such results as have been detailed to be accounted for? What has happened since 1860 which has driven our flag from the ocean, closed up our machine-shops, wiped out of existence great branches of industry, increased the cost of our products, diminished the purchasing power of wages, and rolled up annually a heavy balance of indebtedness against us and in favor of foreign nations?

In general three causes or agencies may be specified, — *a large debt, increased taxation and expenditure, and a vicious and unsound currency.*

Dismissing for the present the last-named agency as something which merits a separate and independent discussion, and merely remarking that it is now the nearly unanimous opinion of those who, from a practical and theoretical point of view, have given the subject the most attention, that the evil and disturbing influence of the present currency upon the industry and progress of the nation cannot well be underrated, let us examine the influence in the same direction of the recent increased debt, taxation, and expenditure.

Our debt, as we all know, is large, but the interest-bearing portion of it is only about one half as large as that of

Great Britain,* our great commercial rival. We have heavy taxation, but our taxation, *per capita*, by reason of the interest on the *national* debt, is much less than that of Great Britain, or in about the ratio of twelve to sixteen. Deducting furthermore the amount appropriated for the principal of the public debt, the annual expenditures of the United States — for interest and all other purposes — for 1869–70 were less than those of Great Britain for the same purposes by at least sixty millions of dollars.† Our climate since 1860 has not changed in character; our soil has not lost its fertility, or our crops their variety; neither have any of our natural resources been materially diminished. On the contrary, they have in some respects greatly increased, for we have twenty-five thousand more miles of railway than we had in 1860, and eight millions more of population to help us to pay the debt and taxes; and we are adding to the number of our producers and tax-payers at the rate of over one million per annum.

The debt itself, then, and the taxation necessary to pay the interest upon it and provide for the government, cannot in themselves constitute a sufficient cause for the results we have specified. Neither can *local* taxation in general be assigned as the main reason for the increased cost of national productions; for heavy as are these latter taxes, their increase has been on the exchanging and consuming population of the great cities rather than on the producing population of the towns and villages of the country, as is strikingly illustrated by the circumstance that, while the *per capita* taxation of the whole State of New York is the largest, with the exception of Massachusetts, of any State in the Union, the *per capita* taxation of so much of her population as lies outside of her seven or eight leading cities, and represents three fourths of the people of the State, runs down to almost as low an average as in Vermont, which is the most moderately taxed State of the Union.

But, nevertheless, the question at issue is not a matter of

* Debt of Great Britain, 1870, £ 793,000,000 (\$ 3,965,000,000); interest-bearing debt of the United States, April 1, 1871, \$1,968,000,000.

† Total expenditures of the United States for 1869–70, exclusive of payment of the principal of the public debt, \$309,653,000. See Report of the Secretary of the Treasury. Total gross expenditure of Great Britain, 1868–69, £ 75,497,000 (\$ 377,485,000).

mystery, and there is no occasion to deceive ourselves in relation to it; for apart from the currency, we can put our finger upon the exact source of our difficulties, and declare the whole secret from the beginning. It is not the debt; it is not the necessary burden of taxation incumbent upon us, but the method by which taxation is levied and collected,—a method which takes far more from the people than the treasury ever receives or needs, and which blights a harvest it cannot gather.

An inquiry into the origin and maintenance of this defective method will show that it in part results from the ignorance and incompetency of those to whom the business of financial legislation is intrusted, and in part from selfishness and design. The present Secretary of the Treasury does not hesitate openly to avow his belief that there is no such thing as a science of political economy; and, as might naturally be expected from a person with such opinions, he adopts as the basis of his financial policy the principle that the prosperity of a great nation can be best promoted by the maintenance of an excessive taxation, or, what is the same thing, excessive deprivation.

Mr. John Sherman, the chairman of the Senate Committee on Finance, in a speech delivered last year in Ohio, declared that he was unable to recognize any difference between a tariff for revenue and a tariff for protection; and that, too, when he could hardly name an article in the tariff, on which duties had been levied mainly with a view to protection, in respect to which there had not been, not only a resulting loss to the treasury, but a heavy burden of indirect taxation entailed upon the people; while General Grant, in a message which the London Spectator declared to be the most idiotic of state papers, gravely assured the country that the employment of foreign vessels, carrying freight at lower rates and with greater despatch than American vessels could carry it, "*was equivalent to throwing money into the sea*," as if the Yankee nation had forgotten the good old maxim of their fathers, "*that a penny saved was as good as a penny earned*," and needed instruction to the contrary. And when we look back on the record of individual effort in the last few years of Congressional ses-

sions, there is much to remind us of that monarch of England, Charles II., who was called merry but never wise, who concluded one of his speeches to Parliament by saying: "*And pray do not forget to contrive some good short bills, which may improve the industry of the country; and so God bless your councils.*"

In truth, the war and its necessities brought to the surface a class of men who were the beetles and the wedges by which the system of slavery and its abominations was cleft asunder, crushed, and destroyed; and as beetles and wedges they did the work that was expected of them, did it well, and are entitled therefor to the thanks of the country. But now that the war is over and slavery become a thing of the past, these instruments are as little adapted to the reconstruction of our finances and the development of our resources as would be crow-bars and sledge-hammers for the adjustment and regulation of marine chronometers.

But a more immediate influence in creating and maintaining the existing methods of taxation is to be found in the assumption, no doubt in many cases honestly accepted, but more frequently maintained through pure selfishness and the greed of money-getting, that whenever a tax or rate of duty can be shown to be for the benefit of a private interest, the same must prove equally advantageous to the whole country. As Americans we believe in fostering and developing the interests and industry of our own country in preference to the interests and industry of any other country. We would go even further, and as *protection* is a good and, in itself, honest word, we would protect American industry. But what is American industry? It is not the raising of cotton in Mississippi, and the spinning it into yarn or cloth in Massachusetts; it is not the digging of gold in California, the raising of grain in Iowa, the forging of iron at Pittsburg, the packing of pork in Cincinnati, the manufacture of hats at Newark, or the building of ships in New York. It is not one, but all of these that constitute American industry; and when we say that we are in favor of protecting American industry, we mean that we are in favor of protecting and favoring all branches as fairly and equitably as possible, and not of protecting one interest with

one hand and, at the same time, striking down and destroying some equally meritorious interest with the other. And then, again, we would recognize the further fact, that taxation, or the taking away of one's property for other than personal purposes, is an act of deprivation, in the abstract an evil; and although the exercise of taxation, like the taking of medicine, is often necessary and results in great good, yet we would not, on that account, advocate either the payment of taxes or the dosing with medicine on general principles, when either could be dispensed with.

But there are people who think differently, who regard taxation as something good in itself, and who, although always talking of protection to American industry, do not mean thereby industry in general, but always some special industry.

In support of these views it is proposed to offer a few illustrations, as far more convincing than any other form of argument.

Liebig, the world-renowned chemist, remarks in one of his works, that when we reflect upon the important relation which sulphuric acid sustains to the great industries, — the bleaching, dyeing, and printing of cottons, the manufacture of glass, of soap, of paper, of phosphorus and matches, of refined oils and fertilizers, and many other articles, — it is no exaggeration to say that the commercial prosperity of a country may be very accurately measured and estimated by the amount of this article consumed, and also by its comparative price or cost. Measured by this standard, the situation of the United States is far from flattering, for the price of sulphuric acid is to-day more than double what it is in the commercial countries of Europe, and its *per capita* consumption much less than it is in either Great Britain, Belgium, or Germany.

Shortly after the war, when it became a matter of great importance to resuscitate the industry of the South and restore our supremacy in the raising of cotton, there were discovered on the coast of South Carolina immense deposits of fossil bones, which, when treated with sulphuric acid, became converted into soluble phosphate of lime, the fertilizer above all others best adapted to the necessities of the cotton-planter. It would, of course, seem natural that these deposits, extremely bulky in

their character, should be treated at or near the place where they are found. And so, doubtless, they have been ; but it was nevertheless stated in the Senate, in the debate on this subject (June 29, 1870), that it was more profitable “ to send the crude deposit to England, have it manufactured there and returned to our shores for sale, than to make it ourselves.” And when it was proposed in the last Congress to do something to reduce and cheapen the cost of sulphuric acid, by taking off from the *forty-seven millions of pounds* of sulphur annually imported into the United States the duty of *six* dollars per ton on the crude and ten dollars on sulphur freed from its abundant bulky impurities, and thus allow us to avail ourselves without limit of the great natural deposits of this article on the coast of Sicily, the place to which all other nations go, where it can be obtained almost for the mere cost of collecting, Mr. Senator Morrill of Vermont, a man who, for purity of character and general intelligence, has few equals in the national councils, objected, on the ground that there were some people in the State of Vermont who were engaged in the comparatively small business of making sulphur from iron pyrites, and that a reduction of the duty on imported sulphur would be prejudicial to their interests ; or, in other words, the interests of a little capital and a few men in Vermont were of far more importance, in the opinion of Senator Morrill, than the interest of the masses to cheapen cloth, soap, glass, paper, oil, and fertilizers, and through cheapening to increase consumption, and lead thereby to increased product and industrial development. And worse than this, Senator Sherman, chairman of the Committee on Finance, pleaded for the retention of the tax, on the ground that the government needed the revenue ; as if any government, except in dire necessity, could afford to raise revenue by taxing one of the fundamental elements of its industry, and least of all a government which at that time and ever since has exhibited a surplus of from five to eight millions per month over and above all its expenditures.

Take another illustration, as showing how what may be termed a great national branch of production has been restricted by the influence of what is falsely called “ protection ” to home industry. We allude to the manufacture of *fur and felt hats*.

This industry had established itself in this country before the Revolution, and had become so prosperous that hostile legislative measures were especially passed by the British Parliament in regard to it. Previous to 1860 America made better and cheaper hats than could be made in any other country. She exported a seventh part of all her product. She had invented a machine of the most ingenious character, which formed and shaped the hat almost automatically. Now what is the condition of this business? The exportation of hats has diminished. Nova Scotia, the West Indies, Australia, and the Cape of Good Hope, which formerly bought hats of us, now buy them elsewhere. The price at home has so far increased that our people wear proportionally fewer hats than they formerly did. The business has become unprosperous, and within the last two years the leading manufacturers and dealers have suffered immense losses or become bankrupt. The reason of all this is so obvious, that no one who will take pains to examine the question can possibly miss it. The body of the hat is composed of fur or wool, separate or mixed. Not having yet been reduced so far as to feel obliged to keep rabbits for their fur, we import coney fur from Germany. If we import it on the skin, we pay ten per cent; if cut from the skin, twenty per cent. The reason of the difference is to be found in the fact that there is but one very prominent firm in the United States that cuts hatters' fur. They have, it is reported, a machine that does the work with the smallest possible amount of manual labor,—a machine which has never been patented, and which is guarded with the utmost secrecy, for fear of imitation or use by others either in this country or in Europe; and the parties interested, having made an immense fortune out of the business, desire that their successors may do likewise. If wool is used instead of hair, experience has shown that one kind of wool, namely, that grown at the Cape of Good Hope, is most desirable, by reason of its peculiar felting qualities, and on this the manufacturer pays a duty of about one hundred per cent. The inside silk lining, a speciality of silk imported from France, pays sixty per cent; the silk ribbon on the outside sixty per cent more; and the inside leather, or "sweat-band," forty-five per cent; while the hat itself, if manufactured in Europe from fur and other

materials entirely free from all these taxes, is admitted into the United States at a duty of thirty-five per cent; and if from wool, at from twenty to fifty cents per pound, and thirty-five per cent *ad valorem*. Is it any wonder that, under these circumstances, the hat business does not flourish in the United States, and that our people pay more for hats than the people of any other country on the face of the globe?

Take another illustration. Ryland's "Iron Trade Circular" for March 4, 1871, published at Birmingham, England, has the following paragraph:—

"The edge-tool trade is well sustained, and we have less of the effects of American competition. That this competition is severe, however, is a fact that cannot be ignored, and it applies to many other branches than that of edge-tools. Every Canadian season affords unmistakable evidence that some additional article of English hardware is being supplanted by the produce of Northern States, and it is notorious how largely American wares are rivalling those of the mother country in other of our colonial possessions, as well as upon the Continent."

Does it occur to the reader to ask, in view of this testimony of the superiority of American edge-tools, under what circumstances foreign competition has been overcome and set at defiance? Does he know that the American manufacturer pays from 40 to 60 per cent more for his iron and steel than his Sheffield competitor; and in the manufacture of table and pocket cutlery, 10 per cent more for his bone for handles, and, until within a few months, from *ten* to *twenty* per cent more for his ivory? As an illustration, furthermore, of how our present revenue system tends to annoy and repress certain great branches of industry, instead of fostering and stimulating them, an incident of recent occurrence may be related. The continually increasing demand and consequently increasing price for ivory has long made the production of an artificial ivory a desideratum; and a patented compound invented in England and known as "Parkesine," or "Xylotile," has recently been imported in considerable quantities for the purpose of being used for knife-handles in place of ivory, in the manufacture of table cutlery. The secret of the composition of this ivory substitute is substantially as follows. Gun-cotton,

which is ordinary cotton converted by treatment with nitric acid into an explosive substance, is dissolved in naphtha, and converted into a clear but very adhesive liquid termed collodion. The collodion thus formed is mixed with zinc-white, ivory-dust, and various coloring materials, and through kneading, baking, and pressure there results a hard lustrous substance, resembling marble or bone, and capable of being sawed or worked as readily as either of the above-mentioned substances. When first imported it was passed as an unenumerated material, at 10 or 20 per cent duty; but after its use had become somewhat extensive, the duty was raised to 35 per cent, on the ground that it was a manufacture of cotton, — a decision about as sensible as it would be to impose the same tariff on breadstuffs, crackers, or maccaroni as upon ice, for the reason that water is an essential constituent of all ordinary breadstuffs, and under some circumstances assumes the form of ice. And this decision, on appeal, was affirmed by the Treasury Department to be correct. "I have been a protectionist all my life," said a leading manufacturer of cutlery to the writer, "but after such a decision as that by the Treasury Department, and with a continuance of the present enormous duties on all the steel we use, I find myself very fast departing from the ways of the fathers."

Now it would not seem to require any great amount of knowledge to perceive that the way to extend the manufacture and sale of edge-tools in the United States, to concentrate, in fact, the major part of the business of the world in this industry in this country, would be to reduce the duties on steel and iron, and thereby put the American manufacturer, as regards the cost of his raw material, somewhat more on a par with his foreign competitor. But to such a proposition a comparatively few men engaged in making steel at Pittsburg and elsewhere, notwithstanding they have enjoyed for the last ten years a most enormous protection, vehemently shout *no*; and although there are one hundred men employed in the United States in manufacturing steel into knives, axes, tools, and machinery of every description, where there is one engaged in making steel, yet thus far the voices of the few have prevailed against the voices of the many, and the American people

continue to pay more for their steel and their tools and their machinery than any other nation on the face of the earth, civilized or uncivilized. And it does not require any extensive acquaintance with the principles of political and social economy to perceive that the nation which increases the cost of its tools and its machinery, increases thereby the cost of all that the tools and the machinery make, and thus imposes the very heaviest and most destructive burden upon its industry and progress that it is possible for the mind of man to devise and initiate.

But the instances of iniquitous tariff enactment, resulting in loss to the treasury and increased burdens upon the people, for which ignorance or diversity of views in respect to economic principles cannot be pleaded as excuse, are much more worthy of attention.

Take first, for example, the article of quinine, the standard remedy for fever and ague and general debility, a free supply of which is almost a necessary condition of existence in some portions of our country. Quinine is an extract from Peruvian bark, which grows only in South America, and is prepared mainly through the use of alcohol, which dissolves the alkaloid and leaves the other impurities. Before the war Peruvian bark was admitted free, and quinine paid a low duty of 15 per cent; but the war necessitated revenue, and a duty was imposed on bark of 20 per cent. To compensate the manufacturers for this advance, an internal-revenue tax, and the increased cost of alcohol, although it was afterwards shown that the alcohol used was not wasted to any great extent, but redistilled and used over and over again, the duty on quinine was increased to 45 per cent. But in 1867 the internal-revenue tax was taken off, and in 1869 the price of alcohol, through the reduction of the tax on distilled spirits, was reduced more than one half; but still the manufacturers held on to the protection of 45 per cent. By the act of July, 1870, the duty on bark of 20 per cent was removed and the import made free; but the Hon. William B. Kelley, that eminent friend of American industry, who managed this matter for the benefit of the two principal quinine manufacturers in the country, who live in Philadelphia, took good

care that the duty of 45 per cent on quinine should remain undisturbed.

What has been the result? Previous to the breaking out of the Franco-German war, quinine could have been imported from Europe free of duty for \$1.65 per ounce. The American price then ruled uniformly at \$2.25 per ounce, giving its American manufacturers an advantage of about 60 cents per ounce, or, at the rate of \$240,000 per annum, on an estimated annual consumption of at least 400,000 ounces over and above any foreign import. When, however, the Prussians, in their siege operations about Paris, burnt the quinine factory of Peletier, the largest in Europe, the American manufacturers, not content with their already ample profit and advantage, immediately advanced the price of quinine, and it is now quoted stiff at \$2.40 per ounce; which on a consumption of 500,000 ounces, the duty being now practically prohibitive, would give an additional annual advantage or profit of \$75,000. It is true that the price of bark is somewhat higher at present than it was a year ago, but there has been no increase of cost to warrant any such difference of price as exists between the European and American product.

Take another case. Some ten or fifteen years ago a New England mechanic invented a wonderfully ingenious machine for making wood-screws. As is generally the case, the inventor does not seem to have made much profit by the invention, but the company into whose hands it passed did, and for years they have, according to current report, paid dividends on watered stock of from 100 to 150 per cent per annum. But in order successfully to use this machine, which made screws cheaper and better than screws were ever made before, and which did away with the labor of hundreds and thousands of operatives formerly employed in the manufacture, it was necessary to protect American industry, and a duty of 11 cents a pound, or about 125 per cent on the cost of similar screws in Europe, was accordingly imposed and is yet maintained; and for the year 1870 the treasury received from the duties on imported screws, "commonly known as wood-screws" as the law expresses it, less than eighteen thousand dollars, while the American people paid more for their screws than was neces-

sary by at least a million of dollars.* And Mr. Sherman, chairman of the Senate Committee on Finance, senator from Ohio, says he can see no difference between a tariff for revenue and a tariff for protection.

Formerly the tops or uppers of ladies' and children's shoes were made exclusively of morocco or kid-skin; but it was discovered that certain peculiar fabrics of cloth, called "lasting" and "serge," made of long hairy wool of the kind that is grown in warm latitudes, were much better adapted for the manufacture of this variety of shoes than leather. The idea became immensely popular in the United States; and the shoes thus made, being lighter, cheaper, more elastic, and equally durable, were universally adopted. Being, moreover, particularly adapted to warm climates, a very large export trade in these shoes sprung up between the United States, South America, and the West Indies. But, in an evil day, a few men in Massachusetts conceived the idea that they could make a little money out of the business of manufacturing lasting and serge, and in order to help them Congress put on a duty sufficient to raise the price of all the lasting and serge used in the country to the extent of over a million of dollars, and thereby increased to the same extent the price of all the women's and children's shoes into which lasting and serge enter as constituents; or, in other words, in order to protect American industry, the government is made a *de facto* partner in one or two factories in Massachusetts, runs them at an expense to the people of from a million to a million and a half of dollars per annum, or about the amount required to defray the expenses of the whole foreign intercourse of the country, and taxes to an equivalent amount the shoes of the women and children of the country. Now, where is the protection to American industry in this proceeding? Is it not reversing the cardinal doctrine of every free democratic state, that legislation should always be for the greatest good of the greatest number, and making the good of the many subordinate to the interests of a few?

* The value returned to the internal-revenue office of the screws manufactured by one company in New England was \$2,210,000, out of a product for the entire country of \$2,260,000. As these screws are sold in the United States at more than double the price of similar screws in England, the advantage to the American manufacturer is easily calculated.

But there is an incident connected with this tax that deserves to be handed down to history. Bastiat, in one of his works, gives a petition from the manufacturers of candles, gas, oil, lamps, etc., requesting the legislature to direct the shutting up of all doors and windows, in order that the light of the sun may not penetrate to the interior of shops and houses to the prejudice of the several manufactures above indicated. No one, of course, in reading this petition would at first imagine that it is anything more than an extravagant burlesque; or, if he recollects that in olden time, when it was first proposed to use mineral coal in England, the leather manufacturers petitioned Parliament against it, on the ground that if coal was used there would be fewer trees grown and felled, and, therefore, a smaller supply of bark for tanning, he nevertheless congratulates himself that things are looked at nowadays more sensibly. But it was reserved to our day and generation to have Bastiat's petition rewritten in earnest, and the views of the English tanners in respect to the use of coal again offered as a *bona fide* basis of legislation. When, in 1870, the special commissioner of the revenue, by reason of the views above expressed, recommended to Congress the removal of the duties imposed upon the importation of lasting and serge, the Morocco Manufacturers' Association addressed by their secretary the following letter to Hon. W. D. Kelley, which letter Mr. Kelley had the imprudence to publish:—

“*To the HON. WM. D. KELLEY, M. C.*

“*Dear Sir:* I enclose you herewith a remonstrance signed by the morocco manufacturers of Philadelphia and Wilmington against the removal of the duty on serge goods, as recommended by Commissioner Wells. It is only necessary for me to call your attention to the fact that serges are now selling at \$1.20 per yard, that six and three quarters feet of morocco is considered equal to one yard of serge, and that the morocco, which would be used to compete with it, *we cannot afford to sell for less than 26 cents per foot, so that, with the present duty, \$1.20 of serge will go as far as \$1.75 of morocco.*

“The ‘Morocco Manufacturers’ Exchange’ have read your review of Commissioner Wells’s report with the greatest pleasure, and, in connection with the noble stand taken by you in favor of ‘protection to American industry,’ have considered that it was but necessary to lay this matter before you to secure your interest and prevent the consum-

mation of this great outrage upon one of the largest branches of American industry.

"Hoping our confidence in your zeal and influence may not be overestimated, I am,

"Truly yours,

"EDW. S. DEEMER,

*"Secretary of the Morocco Manufacturers' Exchange
of Philadelphia and Wilmington."*

"PHILADELPHIA, January 20, 1870."

Now we ask the special attention of our readers to the striking fact admitted in the above letter, namely, "*that \$1.20 of serge will go as far in making shoes as \$1.75 of morocco,*" and, although the shoe manufacturers and the women and children of the country prefer serge to morocco, as making a more graceful, healthy, light, and, withal, much cheaper shoe, Congress is called upon to intervene and make the country use what it does not want, at an expense of \$1.75 for what \$1.20 would do better; in other words, the sunlight is to be shut out, that lamps and candles may find a better market, and the people be made to pay for what is entirely useless.

We have space but for a single additional illustration. Previous to January 1, 1871, marble was admitted at a duty of from 50 to 70 per cent; and for certain purposes manufacturers consider Italian marble indispensable. The importation, which is large, is generally in the form of huge blocks, which are sawed and cut in this country to any shape or pattern that may be desired. But the manufacturers of the West found that it was a matter of great expense and difficulty to move large blocks of foreign marble inland, and so, until within the last few months, they have been in the habit of importing their marble in slabs, which could then be transported inland by way of the Mississippi and other Western rivers at small expense; and a very considerable business in the way of importing and reworking certain descriptions of foreign marble had sprung up in the West and Southwest, particularly at Louisville and St. Louis. But this independence Eastern manufacturers were not disposed to tolerate, and accordingly measures were taken during the year 1870 to put an end to it, by raising the duties, not on marble in huge, unwieldy blocks, such as could

be easily brought into New York and Philadelphia, but upon marble in smaller blocks and slabs. Meetings of those interested were accordingly held, and testimony can be adduced showing that statements were openly made that the "thing was going to be done," and "that any reasonable amount of money would be raised to help effect the increase of duties, if it should be found necessary." The duties were accordingly raised, and made for all practical purposes absolutely prohibitive, and by the following ingenious phraseology which none but an expert can interpret:—

"On all sawed, dressed, or polished marble, marble slabs, thirty per cent ad valorem, and in addition twenty-five cents per superficial square foot, not exceeding two inches in thickness; if more than two inches in thickness, ten cents per foot in addition to the above rate for each inch or fractional part thereof, in excess of two inches in thickness, Provided that, if exceeding six inches in thickness, such marble shall be subject to the duty now imposed upon marble blocks."

The result of the passage of this act was that seventy-five men were at once thrown out of employment at Louisville, and an equal number at St. Louis, the whole current of the Southwestern trade interrupted, and large investments of capital rendered useless.

And now, as a companion picture, we ask our readers' attention to a few extracts from the annual report of the Rutland Marble Company of Vermont, presented October 31, 1867; office Exchange Place, New York, Edward Wolfe, president; first premising that the capital stock of the company is one million of dollars,—the amount paid in being considerably less,—reported as not in excess of \$300,000. The report says:—

"The quality of our marble is unsurpassed; our statuary is acknowledged to be the finest in the world. The supply is inexhaustible, and a production of 300,000 cubic feet per annum would only deepen the openings less than ten feet yearly. . . . Owing," however, "to the exorbitant rates of freight charged by the Rutland and Saratoga Railroad Company, on blocks to Troy, it is almost impossible to compete with Italian marble in the block trade for the lower grades. While the demand for sawed marble is as great as ever, that for blocks has fallen off materially."

The affairs of the company, before the increase of the tariff, were, however, reasonably prosperous, for the report concludes:—

“The financial condition of the company is most satisfactory,” and “shows a net result for the year of over 14 per cent in cash; besides an increase in the stock of marble on hand of over \$50,000, or 5 per cent on the capital. With the completion of the mill, all expenditures for permanent improvements will cease, and the stockholders will begin to reap the benefits by increased dividends.”

We forbear to comment further on the subject of marble! But similar statements could be made in respect to salt, grindstones, carpets, hair-pins, rolled copper, telegraph-wires, hair-cloth, sugar of lead, bichromate of potash, castor-oil, eyelets, and hundreds of other articles, in all of which legislation has been studiously arranged to benefit selfish and private interests, to the great detriment alike both of the treasury and the people.

But taxes thus indirectly levied upon the community, and obscured under the phraseology of so much per square yard or so much *ad valorem*, are no less taxes than when imposed directly and openly. And we hold that it is these very indirect taxes which have been heaped upon us during the last ten years, and are maintained under the specious pretence that they favor American industry, which to-day constitute, in connection with the currency, the great obstacles in the way of progress and development; which have enhanced prices, affected the natural distribution of wealth, disturbed labor, and rendered business unprofitable. And we hold, further, that if the covering of our financial legislation could be once stripped off as the anatomist takes off the outer integuments of an organic body, and the nerves, the chords, and the fibres of influence disclosed, and the whole seen to be stretched and worked for private advantage and personal emolument rather than for public good,—we hold that if the people could once see this, their vengeance on the politicians, the parties, and the men who do and countenance these things would be terrible.

Suppose the Hon. W. B. Kelley, instead of arranging matters to advance the interests of a few of his constituents by reducing the duty on bark but leaving the duty on quinine,

had manfully proposed a bill appropriating \$150,000 outright for this purpose from the treasury, is it to be supposed that any such bill would meet with favor? Have our readers any idea how such a bill would read? If not, we furnish a draft for their information:—

“Be it enacted by the Senate and House of Representatives in Congress assembled, That, in order to establish justice, provide for the general welfare, protect American industry, and promote the manufacture of quinine, the Secretary of the Treasury is hereby authorized to pay to A B and C D, of Philadelphia, out of any moneys not otherwise appropriated, the sum of \$120,000 annually, and in consideration therefor the said A B and C D covenant and agree that they will not charge the American people for quinine a price in excess of thirty cents per ounce over and above the price at which the same can be bought in all other commercial countries.”

In addition to the burden of taxation indirectly imposed,—a burden so great that no more satisfactory evidence of the wealth and resources of the country can be presented than the simple fact that it has sustained these taxes for ten years and yet lives and prospers,—let us consider for a moment the obstruction to development and the taxation consequent upon carrying out the two favorite financial schemes of the present administration; namely, the attempt to reduce the premium on gold without at the same time doing anything to decrease in other respects the cost of production, and the attempt to reduce the national debt by the maintenance of excessive taxation.

The President and the Secretary of the Treasury, in their last annual messages, congratulated the country that by their efforts the premium on gold had, within the past year, been reduced seventeen per cent. But seventeen per cent reduction of the premium on gold has meant seventeen per cent reduction in the currency price of the entire cotton crop of the country, and seventeen per cent in the value, at least, of all that part of the wheat, the pork, and petroleum and other products of the country available for exportation; and for the loss thus occasioned—aggregating not less than *one hundred millions*—there cannot have been any sufficient compensation, for, with the present volume of currency remaining unchanged, we have not been brought any nearer the resumption of specie payments,

and any reduction which may have taken place during the past year in the cost of production has been mainly due to an excess of labor and product consequent upon the limitation and restriction of the domestic markets, or to the exercise of greater skill and economy on the part of producers, and would have undoubtedly taken place all the same, even though the premium upon gold had been allowed to remain unchanged.

Again, the action of the Secretary of the Treasury in hurrying the payment of the principal of the national debt, — the thing for which the administration claims more of credit than for any other one act, — so far from actually relieving the country at the present time from debt, merely amounts to transferring the obligation, and rendering it far more burdensome. Thus, from what source has the \$200,000,000 by which the principal of the debt has been reduced during the last two years been obtained? Unquestionably from taxation. Now let us follow the incidence and the influence of *a dollar* of tariff taxation, imposed, not for the purpose of paying interest and defraying expenditures, but for the sole object of reducing the debt. As such the dollar constitutes as much an element in the original cost of an imported article as do the freights, the interest, and the commissions; and being paid in gold in the first instance becomes at once and in all subsequent transactions a dollar and ten cents, at least, in currency. On this the importer expects to make a profit of ten per cent, thus augmenting the incidence of the dollar tax in the first stage to \$1.21. A like profit on the part of the jobber further increases it to \$1.34, while the profit of the retailer, if reckoned at twenty per cent, brings up the incidence of the tax of the dollar in the first instance to about \$1.60 to the consumer, who ultimately and especially in this instance pays the tax; thus demonstrating that the payment of the \$200,000,000 which the administration, during the last two years, has made upon the national debt, has been effected at a cost to the people of not less than \$320,000,000, to say nothing of other taxes which the imposition of one tax under the tariff always indirectly creates and occasions. Now, if it can be demonstrated that the imposition of the dollar tax in the first instance is necessary, and the proper time and place to take it is at the present moment and through the tariff, we

have nothing to say. But if the tax is not needed, if the time and the place are not opportune, and if the development of the country and the consequent elasticity of the revenues constitute in themselves a sufficient provision for the debt in the future, then we say, that the taking from the people at this time \$160,000,000 per annum by taxation to pay \$100,000,000 of the debt is something which is not to be spoken of to our credit, but rather to our shame.

It would seem, therefore, that the questions involved in the defects of our financial policy and methods of taxation, as above indicated, are not questions which require that the advocates of reform should necessarily commit themselves either to the principles of free trade on the one hand, or of protection on the other; inasmuch as they concern simply the reform of abuses. And it is, moreover, the maintenance of these abuses which give to very many industries a claim for protection which otherwise would not be demanded. Governor Thomas of Maryland, in a speech before the Committee of Ways and Means a year ago, which was never published, set this matter in its true light. He is reported to have said: "I live in Alleghany County, Maryland, where our staple product is coal, and we have found by calculation that we are taxed every year to the extent of nearly two millions of dollars through the increased price which we are obliged to pay for all that we consume in working this coal and transporting it to market,—for our iron, our lumber, our woollens, our oil, and our machinery; and we only ask, as a matter of justice, that a sufficient duty be imposed upon coal to compensate us for our taxes." All of which, rendered into simple English, amounts to this: You have allowed A, B, and C to plunder us annually to the extent of two millions; now allow us in return to plunder somebody else in the way of compensation.

There is still another way of demonstrating how abuse in this matter of fiscal legislation feeds upon and nourishes abuse, or how the injudicious and unwarranted imposition of taxes under the tariff of itself creates a necessity for compensating or protective duties. Take a business, for example, like that of manufacturing woollens, where the capital may be supposed to be turned two or three times per annum, or where the

annual value of the product is two or three times greater than the capital employed. Now if the American product is enhanced over and above the cost of a similar article produced in England to the extent of two or three per cent, — as experts, indeed, allege, — by reason of the tariff imposed on the importation of the few manufacturing elements of teasles, dyestuffs, and olive oil, is it not clear that an advantage is thereby guaranteed to the foreigner over the American of from six to nine per cent per annum on his manufacturing capital ; or, in other words, with the cloth or yarn selling at the same price in a given market, the present fiscal legislation of the United States insures to the foreigner a dividend of from six to nine per cent per annum on his capital employed in woollen manufacturing, and imposes a corresponding disadvantage on his American competitor ; thus compelling the latter to stand on the defensive in his own markets, and depriving him of the possibility of selling a single yard of cloth in competition in any foreign market. And under such circumstances, is it not also clear, that to deny the American woollen manufacturer compensating protection would be not only gross injustice, but also equivalent to saying that the woollen business shall not be carried on in the United States ? The present wrong, therefore, consists, *not* in giving to the American woollen manufacturer a protective duty on the import of foreign woollens in compensation for the disadvantages to which he has been subjected by impolitic fiscal legislation, but in making such protection necessary by taxing, in the first instance, the elements of a great leading industry, and thereby necessarily and uselessly increasing the cost of the domestic manufacture, and ultimately throwing a heavy burden of taxation, through increased cost, upon the consumers, who are in this instance mainly the masses.

In short, the work of the hour is to reform these abuses. Until this has been done, the country is in no condition to discuss whether it will adopt free trade or protection as a policy ; and we would even go further and assert, that when these abuses under the tariff have been done away with, it will be found that fully one half of the necessity which may now exist for protection will be obviated, and that when the currency is

reformed the other half has departed also, and that the nation, of its own accord, will quit the position which it now occupies in respect to its industry of standing on the defensive, and, going back to the position it occupied in 1859-60, will boldly assume the offensive and bid defiance to every foreign competitor in every variety of production for which Providence has afforded us equal natural advantages.

It is the desire and the endeavor to accomplish such ends that to-day constitute the essence of revenue reform; and it is in the faith that such ends can be accomplished, and a greater measure of prosperity and a greater abundance than have ever yet been obtained can be secured to the country, that the advocates of revenue reform present their cause to the people and demand of them encouragement and support. And in view of the evidence presented, and of the ends and objects proposed, how contemptible becomes the sneer "that revenue reform seems to be something which is to supply every man's wants without any cost or effort on his part."

On the other hand, the present fiscal policy of the government, which has been foisted upon the country and is defended by its advocates on the grounds that it fosters and promotes the extension and diversity of American industry, so far from effecting any such result, in reality has powerfully contributed to the arrest of industrial growth and development, and to the diversion of labor from those employments in which skill and intelligence, rather than brute force, are the essential and requisite elements. Startling as is this assertion, the evidence which can be adduced in its support is of such a character as practically to reach demonstration. Thus, as has been already stated, the returned currency value of our exports for the calendar year 1870 amounted in the aggregate to \$506,000,000; but of this large sum \$442,000,000 stands to the credit of cotton, breadstuffs, tobacco, provisions, petroleum, hops, naval stores, oil-cake, and bullion,—the latter being taken at its specie value. If we add to this amount \$13,285,000 for the export value of wood and manufactures of wood (the latter mainly in the form of sawed and unelaborated material), \$10,400,000 for firearms, cannon, and munitions of war (a wholly exceptional export of the year), \$2,481,000 for tallow,

\$1,416,000 for coal, \$1,783,000 for furs and fur-skins, and \$920,000 for living animals, we shall have left the comparatively small sum of \$34,000,000 to represent the exported surplus of all the mechanical and skilled industries of the country, — the manufacture of metals, of textiles, of glass and earthenware, books, paper, drugs, chemicals, fancy articles and Yankee notions, leather, hats, india-rubber, ships, agricultural implements and machinery of all kinds, marble and stone, soap, candles, salt, seeds, sugar and confectionery, distilled spirits, wearing apparel, carriages, railroad equipments, and the like, — a sum absolutely less than is at present paid out by the three leading railway corporations of the country for their annual equipment and running expenses. It would seem to be almost in the nature of a self-evident proposition, that if we dam up or obstruct by legislation, by war, or any other cause the export outlet for the surplus product of the so-called manufacturing industries of the country, — as we have been most assiduously and successfully engaged in doing for the last ten years, — that we thereby necessarily limit the growth and extension of those same industries to the increased consumption consequent upon the increase of the population of the country, — now at the rate of about one million per annum. But in every progressive civilized country, especially in a country like the United States, where brain and fingers are unusually active, the powers of production, through the continued invention and application of labor-saving machinery and processes, always increase in a far greater ratio than population; the machine or process, for example, which saves the work of twenty men, and thereby adds that number of laborers to the force engaged in other branches of production, requiring very probably for its support not more of industrial product than would have been adequate to the necessities of a single one of the men whose occupation it has supplanted. The consequence of this is that production continually gains upon consumption; and if the surplus thus occasioned is not allowed to flow out of the country through the channels of export, it inevitably rolls back upon the domestic markets, depressing prices to a point where trade and commerce can resume their natural and normal channels; or paralyzes industry until consumption again becomes equal to or in excess of production; both of

which results the manufacturer instinctively resists by what seem to him the only practical methods available, namely, reduction of wages or suspending production. And herein is to be found the explanation of the strikes, combinations, and dissensions which have prevailed during the last few years among the laboring classes of the country, and also for the continued depressions and fluctuations in business during the same period, — a condition of things which will most assuredly last and repeat itself until we have a complete change in our fiscal policy, and a selection of men for administration whose claim to office is based on some other qualification than that of having been an adroit politician or a successful fighter.

In view of these conclusions, how significant the statement that the value of the manufactured cotton exported during the last year from the United States was not equal to the value of the oil-cake exported, or the residuary product of the manufacture of linseed oil; and how full of meaning the following extract from the recent official report of Mr. J. N. Larned on the state of trade between the United States and the British Possessions of North America. Concluding a review of our commercial relations with Canada, he says : —

“ The range of the Canadian market for American productions appears to be lamentably limited and almost confined to the rawest products of agriculture, with hardly an appreciable opening for the benefit of our skilled labor in any department ; and this, too, in the case of the nearest neighbors that we have upon the globe.”

That such results cannot in any degree be referred to any necessity of taxation entailed upon us by the war, is fully proved by the fact that the interest on the entire debt for the fiscal year 1869 – 70 was far more than provided for by the revenue derived from the taxes imposed upon distilled spirits, fermented liquors, tobacco, stamps, banks, and bankers ; not one of which taxes necessarily fall upon labor, or in any degree increases the cost of the so-called “ manufacturing production ” ; and if a similar financial result has not been attained to for the last fiscal year, it is to be accounted for mainly by the fact, that the Executive of the United States has been pleased to appoint, as commissioner and superintendent of the internal revenue, a man whose chief and almost sole qualification was that he had been a good cavalry officer.

The spirit of political conservatism, to which the retention of unreasonable laws is commonly due, has many recommendations, especially in a popular form of government. It is natural and right enough that an administration charged with the responsibilities of office should lean towards an established policy, and should see good even in ancient abuses. No one can blame a public officer for feeling some jealousy at outside interference with his duties, or for ignoring small knots of men without political strength, who attempt to force upon a government the first crude ideas of political change which happen to catch a momentary breath of popular applause. But even in America, where, if anywhere, conservatism is strongly needed, it may be carried too far for the public good. An administration which avows its intention not to investigate abuses, not to relieve injustice or regard remonstrance, has already become too conservative for its own safety. Yet this is the nature of administrations, and we do not wish to imply that there is anything extraordinary in the attitude assumed by the present Executive. Undoubtedly there have been Presidents as little inclined to reform as President Grant, and it is probable that there may have been finance ministers less competent than the present Secretary of the Treasury. But if it is the nature of administrations to resist at first even the most necessary reforms, it is no less the nature of intelligent citizens to insist upon them, and to indicate in the clearest possible language that, where common sense and political strength are combined, there even the slowest administration must act. We have attempted to show that common sense is on the side of the revenue reformers; and although the question of political strength does not come within the scope of this essay, the public can hardly remain much longer in doubt where it lies. In the face of this situation it remains for the government to decide whether it will continue its devotion to established abuses, and renew its sneers at reform, or whether it will vigorously apply such intelligence as it has at its command, and recognize the fact that revenue reform means its own salvation by a timely reversal of its present financial policy.

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